

May 8, 2002

Mr. John G. Morgan, Secretary
State Funding Board
State Capitol
Nashville, TN 37243

Dear Mr. Morgan:

Sections 9-6-201 and 202, Tennessee Code Annotated state that the Funding Board may secure from the Tennessee Econometric Model the estimated rate of growth of the state's economy as measured by the forecast change in Tennessee personal income. Personal income is defined by the United States Department of Commerce. Major assumptions and the methodology used in arriving at the estimates are to be provided as well. This background information to our forecast is included in the Economic Report to the Governor, January 2002.

We report the following to you:

| Calendar Year | Personal Income (in Millions) | Percentage Growth | Index (1977=100) |
|---------------|----------------------------------|----------------------|---------------------|
| 1977 | 26,887 | 11.42 | 100.00 |
| 1978 | 30,762 | 14.41 | 114.41 |
| 1979 | 34,535 | 12.27 | 128.44 |
| 1980 | 38,267 | 10.81 | 142.33 |
| 1981 | 42,557 | 11.21 | 158.28 |
| 1982 | 45,042 | 5.84 | 167.52 |
| 1983 | 47,883 | 6.31 | 178.09 |
| 1984 | 53,674 | 12.09 | 199.63 |
| 1985 | 57,749 | 7.59 | 214.78 |
| 1986 | 61,582 | 6.64 | 229.04 |
| 1987 | 66,524 | 8.03 | 247.42 |
| 1988 | 71,902 | 8.08 | 267.42 |
| 1989 | 77,106 | 7.24 | 286.78 |
| 1990 | 82,267 | 6.69 | 305.97 |
| 1991 | 86,582 | 5.25 | 322.02 |
| 1992 | 94,465 | 9.10 | 351.34 |
| 1993 | 100,394 | 6.28 | 373.39 |
| 1994 | 106,855 | 6.44 | 397.42 |
| 1995 | 114,260 | 6.93 | 424.96 |
| 1996 | 119,287 | 4.40 | 443.66 |
| 1997 | 125,456 | 5.17 | 466.60 |
| 1998 | 134,282 | 7.04 | 499.43 |
| 1999 | 139,434 | 3.84 | 518.59 |
| 2000 | 147,753 | 5.97 | 549.53 |
| 2001 | 154,673 | 4.68 | 575.27 |
| 2002 | 161,103 | 4.16 | 599.19 |
| 2003 | 169,508 | 5.22 | 630.45 |

We would be pleased to discuss the economic forecast with you in detail.

Best regards,

William F. Fox
Director